

CHAPTER NO. 172

HOUSE BILL NO. 832

By Representative Curtiss

Substituted for: Senate Bill No. 1394

By Senator Rochelle

AN ACT to amend Tennessee Code Annotated, Section 45-5-305; Section 45-5-403 and Section 45-5-301, relative to industrial loan and thrift companies.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 45-5-301, is amended by adding the following new, appropriately numbered item:

() Subject to the provisions of Tennessee Code Annotated, Section 45-5-305(b), accept or sell, but not require, at the expense of the borrower or borrowers, one or more credit-related insurance products.

As used in this item and Section 45-5-305(b), the term "credit-related insurance products" is limited to individual term life or individual accidental death and dismemberment insurance sold by a registrant where (1) the beneficiary named by the debtor is a person other than the creditor, (2) the insurance is purchased by the debtor and financed as part of the credit transaction, and (3) the premium for such insurance is included in the principal of the loan.

SECTION 2. Tennessee Code Annotated, Section 45-5-305, is amended by designating all of the current language of said section as subsection (a) and by adding a new subsection (b), as follows:

(b) The acceptance or sale of credit-related insurance products by registrants shall be subject to the following provisions:

(1) The maximum term life insurance coverage and the maximum accidental death or dismemberment coverage available to one insured through a registrant shall not exceed \$25,000 for each such coverage, and the maximum term for each credit-related life insurance product shall not exceed sixty (60) months.

(2) The registrant shall provide to each prospective insured a separate disclosure statement, signed by both the borrower or borrowers and the registrant's agent indicating the following:

(A) the borrower's or borrowers' desire or desires to purchase the insurance as described in the disclosure statement;

(B) the borrower or borrowers fully understand that buying the insurance is not a condition of the loan. Such disclosure shall be made in bold face print appearing in the disclosure statement. In addition, notice of such disclosure shall be posted at any physical location where customers are served;

(C) the owner of the policy may cancel the policy within thirty (30) days after the policy is issued and receive a full refund of the premium paid, by returning the policy to the insurer or upon written instructions to the insurer from the policy owner; and

(D) the owner of the policy may also cancel the policy more than thirty (30) days after the policy has been issued by giving notice of cancellation to the insurer, and on such cancellation, the owner of the policy shall receive a portion of the premium paid in accordance with the terms of the policy.

(E) And a statement with three (3) representative examples of the purchase of insurance under this section indicating the total amount of interest payable for each example of a loan and the amount of interest of such loan attributable to the insurance purchased under this section.

(3) Credit-related insurance products shall be treated as credit life insurance or credit accident and health insurance only as those terms are used in Title 56, Chapter 6, Part 2 and Title 56, Chapter 8, Part 1; credit-related insurance products shall not be treated as credit life insurance, credit accident and health insurance or credit disability insurance as those terms are otherwise used in Title 56, provided, however, that this subsection shall not affect any other provision of Title 56, or any regulation adopted pursuant thereto.

SECTION 3. Tennessee Code Annotated, Section 45-5-403, is amended by inserting in subdivision (4) after the words and punctuation "or fraction thereof," and before the words "at the time", the words and punctuation "or ten dollars (\$10.00), whichever is greater,".

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.

PASSED: May 5, 1999


JIMMY NAIFEH, SPEAKER
HOUSE OF REPRESENTATIVES


JOHN S. WILDER
SPEAKER OF THE SENATE

APPROVED this 14th day of May 1999


DON SINDQUIST, GOVERNOR